

France Country Report Stage II

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Introduction

Financial exclusion in France is mainly concerned with people who are marginally banked, with access to credit and with difficulties of use. The reason is that access to current accounts is already high (around 98 % of households), even if it could be higher.

From the outset it is important to note that cooperatives banks and the Postal Banks are not niche providers but main actors and that there is no sub-prime credit market.

A. Debate on Financial exclusion/inclusion

Financial exclusion is an old concern in France even if the concept itself really appeared for the first time in public debate and in law in 1998. The way France copes with financial exclusion is characterised by focused actions on precise points rather than a global outlook.

The first affirmation of a will to tackle financial exclusion was in relation to a bank account. The banking law of 1984 stated that everyone without a bank account (a current account) can make a request to the *Banque de France* to open one for free in an establishment nominated by it. This implementation in the law of a right to an account followed several governments' decisions making it compulsory to have a bank account to receive wages (early seventies) and social benefit (1978). It is on this basis (right to an account) that the debates about access to banking services have been structured until today.

A second major way France addresses financial exclusion is in relation to credit access and use difficulties. The main laws are concerned with over-indebtedness: the first one was in December 1989 (law n°89-1010) and as a result over-indebtedness commissions were introduced in every department. These commissions are managed by the *Banque de France*. Their main role is to identify solutions for both borrowers and lenders. For the former the main concern is to find solutions to repayment to the latter and sometimes to cancel debts to avoid deterioration of their situation.

These first two steps took into account some aspect of financial exclusion, but it was not until 1998 that the phenomenon was addressed as a subject in its own right in the law against exclusions (law n°98-657). Article 137 was dedicated to an improvement of the procedure of the right to an account and to provide for better information about sanctions when cheques bounce. These elements were clearly linked to the fight against financial exclusion. Tackling financial exclusion is also mentioned in the law in 1999 and 2001. The first one was when the *Caisses d'épargne* became a cooperative bank: tackling financial exclusion became a legal obligation for them (art. 1, law n°99-532). This obligation is also being applied to the *Caisse des Dépôts et Consignations* (art. 143, law n°2001-420) which is one of the main public financial institution who works with other financial institutions but not households.

1. Actual state of the debate and key player

Financial exclusion via its various aspects is becoming a subject for public and private actions. Nevertheless, it has not yet received the same attention as other social policy issues such as homelessness, unemployment or lone parenthood, as it is in the UK for example.

The first explanation for this is that there is a dearth of research in the area compared to the UK for example. Even if the knowledge about financial exclusion is consistent in France, there is a lack of research centres or institutes dedicated to it. The *Laboratoire de la Firme et des Institutions* (LEFI) (former Centre Walras) is working on the question but there is still a real need for scientific studies. Today, there are only two main studies on this subject. The first one is a quantitative study and was carried out by CREDOC for the *Comité Consultatif de la Banque de France* (Daniel & Simon, 2001). This study attempts to assess access and use of financial products by benefit recipients. The second study was qualitative and was carried out for the *Observatoire national de la pauvreté et de l'exclusion sociale* and the *Caisse des dépôts et Consignations* (Gloukoviezoff, 2004). This study tries to define and to understand financial exclusion and its mechanisms. Apart from these two studies, there is some research on over-indebtedness (Banque de France, 2002, 2005), access to credit (Bourdin, 2006), banking in deprived urban areas (Gloukoviezoff, 2003; Gougnet & Jarry, 2004), people “*interdits bancaires*”¹ (Gallou & Le Quéau, 1999), or different way to tackle financial exclusion (Gloukoviezoff & Guérin, 2002; Gloukoviezoff, 2006; Gloukoviezoff & Lazarus, 2007).

The second reason could be the difficulty to identify which minister has responsibility for it. In the former government, the ministry of social cohesion and the ministry of finance were both officially committed. With the new government, it is still unclear who will be in charge of it. Despite this lack of clarity, the government is the main actor on this subject. It is acting as legislator and facilitator as it offers a framework and incentives to professionals and consumer associations to negotiate.

Apart from the government, the key actors are obviously bankers (commercial banks, cooperatives banks and the Postal Bank), consumer associations and charitable associations. Most of the time, concerns related to financial exclusion are first highlighted by NGOs before they are taken into account for negotiations or a legal decision.

Since the law of 1st of August 2003 (law n°2003-706 about financial security) a place for negotiation and dialogue between representatives of all stakeholders has been implemented by the government: the *Comité Consultatif du Secteur Financier* (CCSF) which is related to the *Banque de France*. This committee is composed of representatives of commercial banks and insurances, cooperatives banks and insurances, federations of bankers and insurers, professionals and consumer associations of banks and insurance, and trade unions. Since 2004 when this work commenced, this committee is the main place where initiatives related to financial

¹ People « *interdits bancaires* » are prevented access to cheques and/or payment cards because of negative filling to the *Fichier Central des Chèques* (FCC) following one or several payment incidents.

exclusion are discussed. It has no power to make any compulsory decisions but it permits coordinated debate and it advises government.

Two main results of the CCSF action related to financial exclusion are the action plan of 9th November of 2004 (called “The bank easier for all”) and of the 30th of January 2006 (called “Access for all to banking services”). These action plans which are a type of commitment for bankers will be examined more precisely below.

2. Future developments/possible players of the debate

It is very difficult to predict how the financial exclusion debate will evolve. It is very probable that efforts will continue in the way they have already started. The main subjects are improvement of the efficiency and accessibility of right to an account and basic banking services, limitation and/or adaptation of the level of fees for problems with means of payment and the widening of access to consumer credit based on experiments with social microcredit.

These future developments fit with preoccupations of the government. In June 2007, a spokesman for the president of the French republic declared that the government will work on three main questions:

- the possibilities of widening access to credit for people with unstable income;
- how to increase consumer information about banking fees and to improve the quality of advice for investment;
- limiting the level of fees for bounced cheques and failed standing order/direct debits.

While some consumer associations are still committed to defending universal banking services, they have started to focus their attention on the questions of access to credit and responsible lending, as well as on the question of the level of fees for bounced cheques and failed standing order/direct debits, which is an old concern for them.

In the bankers' views and the one of their federation, one point seems to retain their attention: developing the information of consumers. Their federation has already started to implement a website and various leaflets about key questions related to banking relationships which include financial exclusion. This program is called “The bank's keys”. As well as targeting customers, it is also aimed at social workers and associations which support people with banking difficulties.

B. Government response for financial inclusion (policy measures, as facilitator and as legislator)

Even if the government response to financial inclusion is not yet as structured as in the UK, there are several important policy measures that have been implemented which try to offer solutions to problems related to financial exclusion.

1. Government commitment to tackle financial exclusion

The commitment of government has changed over time but it is clear that it has grown deeper since 1998 and the law against exclusions. From this date to the presidential election of 2007, under former president Chirac's authority, both right-wing and left-

wing governments have developed different kinds of responses to take into account various aspects of this phenomenon. Former president Chirac had been personally involved in the implementation of social microcredit as he had benignly but firmly incited banks to be involved.

If it is too early to assess the commitment of the new government as it has just been elected. The new president, Sarkozy, made several commitments to issues related to financial exclusion when he was minister of finance (2004-2005). His ministry asked the CCSF to reflect on how access to banking services could be made easier for all. The result was the action plan of 9th November 2004 already mentioned which will be analysed below. In relation to access to credit, it reformed the regulatory framework to enable people with unstable or too weak incomes to borrow. The aim was to allow and develop reverse mortgages and equity-release mortgage. The sub-prime crisis changed the plan. For the moment, this answer to difficulties accessing credit is not implemented but it has not been totally dismissed.

At the moment, there is no government official with responsibility for financial exclusion. Three main ministries are concerned: Ministry of economy, finance and employment, Ministry of housing and town, and High Commissioner to active solidarities against poverty.

2. Political framework and agenda regarding FE prevention

As it has been said, there is no clear definition of the role of the government in relation to financial exclusion. At regional and local level, there is no specific organisation with a remit to tackle financial exclusion. Some Regional Councils (e.g. Poitou-Charentes) and Municipalities (e.g. Anger or Nantes) have decided to become involved in providing social microcredits. They are doing this on their own initiative and there is no proper communication between these different experiments.

In relation to access to credit, it has to be underlined that some municipalities (around 15) have a municipal pawnbroker (Paris, Lyon, Marseille, Bordeaux, Nantes, Toulouse, Dijon, etc.). Those pawnbrokers are very different from those which exist in the UK. They have a social mission and their loans are less expensive than other forms of credit (around 10 % APR). But it can not really be considered as a proper answer to financial exclusion as first, they are not available in every town, and second, they are obliged to request an item (usually jewellery) as a basis for the loan.

The main place where action to tackle financial exclusion is coordinated is the *Comité Consultatif du Secteur Financier* (CCSF). All stakeholders are represented and the main initiatives related to this subject are discussed there before to be implemented. Price transparency and the level of fees for bounced cheques and failed standing order/direct debits are the most recent subjects as well as the improvement of information about the right to an account. The next issue on the agenda will be widening access to credit. It will be done with the help of social microcredit but other possibilities will be considered with regard to access.

3. Government response

The French government has responded as both a facilitator and legislator in relation to financial exclusion. Considering those two aspects, it seems clear that the French government has tried and still tries to tackle financial exclusion.

a) As facilitator

As facilitator, the main improvement of government is the implementation of CCSF. It offers a place for debate and discussions to plan coordinated responses which involve every stakeholders. Even if, CCSF in itself is not enough to drive solutions, it is a great opportunity to avoid crisis and misunderstanding between stakeholders. In this place, government, financial institutions, and consumer associations can express what are their needs and constraints and why they can or cannot reach some of the goals which are discussed.

In relation to prevention, the ministry of economy, finance and industry developed information campaign in May 2006 targeted at customers and social organisations addressing the right to an account. 650 000 leaflets have been distributed.

The second main aspect of government action as facilitator is the *Fonds de cohésion sociale* (Social cohesion fund). Even if its name looks like the one in the UK, it is not exactly the same kind of fund. The French one is not dedicated to making loans but offering the public a guarantee for half the amount of social and professional microcredit. This guarantee can be accessed by pilot projects which have been selected by the Social Cohesion Fund and have signed a contract agreeing to their criteria.

This fund was created on the 18th of January 2005 by the Law of planning for social cohesion (Law n°2005-32) and it will be endowed with 73 000 000 euros over 5 years (4 millions in 2005, 12 millions in 2006, and then, 19 millions each year). It is managed by the *Caisse des dépôts et consignations* with the supervision of the *Comité d'orientation et de suivi de l'emploi des fonds* (Committee of orientation and follow-up of the use of funds) (COSEF). The aim of the fund is to encourage banks to lend to people that they avoid because they think they are too risky. Their involvement would be a way to create employment and social cohesion with the help of access to credit.

b) As legislator

The main way the French government has tackled financial exclusion is through legislation. Several laws have been enacted since 1984 when the first law about the right to an account was introduced.

Right to an account and basic banking services

In 1984, the banking law n°84-46 of 24 January stated that every individual without a current account who had been refused by three banks was entitled to ask the *Banque de France* to designate a bank or the postal bank to provide a free account. The main weakness of this legislation was related to the absence of banking services.

In 1992, the banks via the French Banker's Associations (today, French Banking Federation) introduced a voluntary charter which involved providing an account opened via the right to an account with facilities such as an ATM card, free access to cash machines, bank statements and a negotiable number of cheques. These facilities had to be provided at a reasonable price.

In 1998, the government stated that access to the right to an account was too difficult, and that the banker's charter was ineffective. The law n°98-657 of 29th of July 1998 said in article 137 that the right to an account is accessible after only one refusal by a bank (before it was three) and that basic banking services will be provided for free. This basic banking service was defined in 2001 by the decree n°2001-45 of the 17th of January. It includes for free:

- opening, monitoring and closure of the account;
- one change of place of residence per year;
- issuing, upon request, of bank or postal identity document;
- receiving banks or postal transfers;
- monthly statement of all transactions carried out on the account sent to the account holder's address;
- cash transactions;
- cashing cheques or bank and postal money orders;
- deposit or withdrawal of cash at the counters of the bank where the account has been opened;
- payment with standing order, inter-bank payment facilities or banks or postal transfers;
- facilities for accessing details of balances at a distance;
- a payment card requiring systematic authorisation (if provided by the bank) and, if not, a withdrawal card for weekly withdrawals at automatic teller machines of the banks where the account has been opened;
- two bank cheques per month or equivalent payment mechanism providing the same service.

The decree 2006-384 of the 27th of march 2006 make the provision of a payment card requiring systematic authorisation no more optional but compulsory.

Bank charges

The French legislator is also concerned with the level of banking charges for bounced cheques. When customers fail to pay cheques they face bank charges but also, if the situation is not resolved within 2 months, they also face a fee from the state. All these fees are regulated by law.

If the amount for the cheque is under 50 euros, bank fees cannot be over 30 euros (decree 2002-694 of the 30th of April 2002). Over 50 euros, article 70 of the law n°2007-290 of the 5th of march 2007 about right to housing and various measures for social cohesion, states that the amount of banking fees should not exceed the amount unpaid and will be capped by decree (which should be published in October or November 2007).

In relation to the fees from the state (penalties fees), if the customer does not resolve his/her situation within the two months delay, he/she will have to pay penalties fees to recover their right to write cheques. The amount of these fees is 5 euros if the amount

unpaid is under 50 euros and 22 euros for each part of 150 euros unpaid (art. 15 of the law n°2001-1168 of the 11th of December 2001).

When customers are not able or choose not to find a solution to their situation they are filed by the bank to the *Fichier central des chèques*. Consequently these customers are unable to access cheques or payment cards. In order to avoid some consequences of financial exclusion, the article 23 of the law n°2001-420 of the 15th of May 2001 has reduced the period that customers are kept on these files from 10 to 5 years.

Banking mediation

The quality of the relationship between banks and their customers impacts on financial exclusion. When difficulties occur, it is sometimes challenging to find a solution within the relationship. In order to prevent the situation deteriorating and to avoid further charges article 13 of the law n°2001-1168 of the 11th of December 2001 (MURCEF law) made it compulsory for every bank to provide a mediator free of charge to its customers.

These mediators advise on fair solutions for the bank and its customers. Every bank has to provide mediation to their customer. However, it is never compulsory for customers (i.e. customers do not have to engage with the mediators); secondly, banks are free to enforce or not the mediator's decision for themselves (i.e. they are free to either make the mediator's decisions compulsory for themselves or just consultative); thirdly, if customers disagree with the mediator's decision, they are free to take the bank to the court.

The effectiveness of mediators to address issues related to financial exclusion is limited due to their wide remit. By law, banks are obliged to provide an account and means of payment but there is no obligation to provide credit, savings or insurance. Nevertheless, some banks have decided to expand their remit to include these services.

Mediators cannot find solutions to all the problems with which customers present but they can help to ensure that the rules of the bank have been applied in a fair way which preserves the interests of both banks and their customers.

Over-indebtedness

Over-indebtedness is the subject of another research project for the European Commission so we just list here the main interventions of the government as legislator on this subject as it is an important part of the fight against financial exclusion.

The laws n°89-1010 of the 31st of December 1989, n°95-125 of the 8th of February 1995, and n°98-657 of the 19th of July 1998 have created and improved what is called the households' debt commission (*Commissions départementales de surendettement*). Those commissions have several tools to deal with over-indebtedness:

- Payment schedule (borrowers repay every lender and most of his/her debt);
- Recommendations: commission can postpone (maximum 2 years) repayments to help people improve their situation. In the end, the commission assesses the new situation and decides if a payment schedule is possible and, if not,

recommends the complete or partial cancellation of debts (different from bankruptcy).

When the financial situation of the borrower is so bad that he/she is unable to repay, these solutions are inadequate. The law n°2003-710 of the 1st of August 2003 has provided a solution by introducing the individual bankruptcy procedure. This procedure is accessible to people for whom their financial situation is “irremediably compromised”. A judge (Juge de l’exécution) decides whether or not a person should be made bankrupt. A social support can be provided (Art. L.332-9, Code de la consommation). However, the law is still theoretical as no definition of this social support has been established and no funds have been dedicated to this initiative.

4. Future (known and possible) developments

As already stated, it is too early to deem to what extent the new French government will address financial exclusion. Nevertheless, there is a strong probability that access to credit and reduction of bank charges will be on the government agenda.

C. Market response for financial inclusion (voluntary charters, provision by alternative providers or mainstream providers)

Most of the market responses for financial inclusion have already been described as most of them involve the government. Nevertheless, some further details will be added in this chapter and responses not yet presented will be developed.

1. Stakeholders commitment

a) Banking industry commitment

The banking industry commitment to financial exclusion can be divided into two categories: collective commitments and individual commitments. The first group is about commitments involving all the banks (i.e. commercial banks, cooperative banks and postal bank). The second group is about commitments taken by only one bank.

Corresponding to the first group, the first commitment of the bank industry was the charter of 1992 about basic banking services. However, it is no longer applied as it was deemed ineffective. Despite this failure, voluntary commitments are still a way to deal with financial exclusion. The main example is given by the two action plans which have been undertaken under CCSF coordination: action plan of the 9th November 2004 named “banking made easier for all” and of the 30th January of 2006 named “access for all to financial services”.

Those two action plans list 20 commitments that banks should respect. We will not develop all of them here but only those precisely related to financial exclusion:

- If a bank refuses to open a current account for a customer, and the customer appeals, the bank must open this account and activate the right to an account within 24 hours
- Banks will provide free access to cash for the customer

- Banks will provide customers without cheques or payment cards alternative means of payment. Usually it is a payment card with automatic authorisation for a cost of around 3 and 4 euros per month.
- Banks will contact every customer filed to the *Fichier Central des Chèques* (people legally prevented access to cheques and/or payment cards) to make a personalised assessment of their situation in order to help them regularise their situation.
- Banks will develop information about alternative means of payments.
- Social support for people facing difficulties will be implemented in order to tackle financial exclusion.
- Banks will improve information about bank charges and develop a fixed price.

In addition, in November 2006, banks were committed to reassess the situation of customers who face an accumulation of bank charges in order to eventually suppress some or all of them.

Corresponding to the second group, some banks have made individual commitments to tackle financial exclusion. More precisely two cooperative banks have decided to create and implement external structures to help their customers (but also those of other providers) to resolve their financial and banking difficulties.

The first one is Crédit Agricole which has created the *Points Passerelle* in 1998 in one of its regional “caisse” (“caisse” Nord East) and has decided to extend it nationally. The second one is the Caisse d’épargne acting in the framework of their legal obligation to tackle financial exclusion (law n°99-532 of the 25th of June 1999). Learning from the *Points Passerelle* of Crédit Agricole, the Caisse d’épargne has been implementing progressively the structure *Parcours Confiance* since 2006. These two structures offer face to face advice and social microcredit.

b) Not for profit sector commitment

Three main associations are acting against financial exclusion. All of them have close relationships with financial institutions although they have an independent status.

The first one is the association *Finances & Pédagogie*. Its goal is to provide information and training to people in economic, social or financial difficulties and to those who try to help them (e.g. social workers). This association is financed by the Caisses d’épargne even though Caisses d’épargne never refers to these products. The second association acting against financial exclusion is also dedicated to providing information and has been created by the French Banking Federation. It is named *Les clés de la banque* (The keys of the bank). Its work is mainly provided through its website (www.lesclesdelabanque.com) and through leaflets. The third one is named Cresus and works mainly in the East of France. It provides face to face advice to people facing financial difficulties or over-indebtedness. More recently, they have started to provide social microcredit in partnership with financial institutions (credit card issuers).

c) Other organisation commitment

It is worth noting the work of social workers in particular those working in *Centre Communal d’Action Sociale* (CCAS) (social action municipality centre). Even if they

are not specialised in financial exclusion and lack appropriate training, they are the main resources, and frequently the last one, for poor people facing banking and financial difficulties.

d) Partnerships

Most of the current partnership responses to financial exclusion in France can be classed as pilot initiatives as they are not on a legal basis. The majority of them are based on partnerships between banks and NGOs and related to access to credit.

Before presenting those related to credit, it is interesting to highlight one related to bank accounts and means of payment. In order to fulfil the commitment of providing a personalised assessment of the situation of customers who face an accumulation of bank charges, the Postal Bank has signed a convention with the *Union nationale des centres communaux d'action sociale* (UNCCAS) which is the association of all CCAS. This convention signed in 2006, follows the initial one in 2005. The main aim is to improve the provision of information and advice to people experiencing financial exclusion. The convention states that social workers should provide this support to customers of the Postal Bank for whom employees cannot find a solution within the banking relationship.

Social microcredit has been the main initiative introduced to widen access to credit. It is guaranteed by the social cohesion fund. It involves all the cooperative banks, the postal bank, municipal pawnbrokers and some credit card issuers but no commercial banks. Social microcredit is provided by the bank while the NGO assesses the demand of the potential borrower and provides support during the loan repayment. This partnership reduces the level of risk of borrowers who cannot reach the expectation of usual lenders. A great variety of associations are involved: Secours Catholique (Caritas France), Crésus, UNCCAS, Boutiques de gestion, Foyers de jeunes travailleurs, etc.

2. Services provided and programmes implemented

The two action plans of banks coordinated by the CCSF have been widely presented previously that is why this part focuses on social microcredit which aims to widen access to credit as well as on structures which try to improve the quality of the banking relationship and to find solutions to financial difficulties of these customers.

a) Social microcredit

Social microcredit has been inspired firstly by the success of professional microcredit and also by a pilot which set up in 2001 by Secours Catholique (Caritas France) and Credit Mutuel Midi-Pyrénées who lends to people who are victims of the AZF disaster (explosion of a chemical factory in Toulouse which destroyed completely or partially housing around the area). These loans lent in partnership show that it is possible to reach people that banks do not trust enough.

The main idea of social microcredit is that the bank lends to the borrower but the associations assess the risk and support the borrowers during the repayment period. In this way, it is possible to widen access to credit to people who are refused by credit

scoring systems, and secondly, it is possible to improve financial inclusion as the banks open an account for the borrower and progressively give him/her access to other financial products.

Social microcredit targets people who have no access to credit provided by lenders such as banks and credit card issuers (it is important to note that there is no sub-prime lending market in France). Social microcredit finances what is known as “personal projects” which includes loans to buy a car, to pay for training, for health care, to finance the costs of moving house, or for unexpected expenses.

The amount of these loans vary from 300 to 4 000 euros but in exceptional circumstances it can reach 12 000 euros. The length of repayment usually cannot exceed 48 months but it can be extended to 60 months in exceptional circumstances. Their cost varies depending on the partners: usually the price is between 4 and 8 % (APR) with no administration fees but some pilot schemes ask for less than 3.5 % and others repay the interest at the end (Regional Council of Poitou-Charente). Social microcredit is 50 % guaranteed by the Social Cohesion Fund.

The definition of who can or cannot access social microcredit is related to the criteria which are accepted by the Social Cohesion Fund. People who are in extreme poverty and who over-indebted are excluded. These criteria need to be respected in order to be guaranteed by the Fund. Nevertheless, some pilot projects go further than what is expected by the Social Cohesion Fund. Some of them lend to over-indebted people with the agreement of the *Banque de France* which is already supervising their debt repayment plan.

On the whole, partner associations have adopted the same way of functioning (they establish the first contact with the potential borrower, they assess their situation and the project, and they ensure support during the repayment period). However, banks have implemented different ways of lending:

- Decentralised schemes vs. centralised scheme: For example, each regional “caisse” of Crédit Mutuel is free to participate or not in the social microcredit pilot. Conversely, Crédit Coopératif decided that all its regional “caisses” will be involved.
- Dedicated structure vs. bank branch: Caisse d’épargne has decided to welcome the borrower and to open or transfer his/her account in a dedicated structure (*Parcours Confiance*) where a bank will make the loan and establish the banking relationship. When the situation is stabilised, the customer will be transferred to the main bank branch (the former one, if he/she was already customer of the Caisses d’épargne). Conversely, the Crédit Mutuel has decided to lend and to open an account in its main branches in order to further financial inclusion.
- Universal approach vs. targeted approach: While some banks such as Crédit Mutuel or Caisse d’épargne adopt a universal approach (no restriction except those inherent to the definition of social microcredit) others like credit card issuers (Cofinoga, Cetelem or Cofidis) target precise needs or cohorts (young

professional students for example), or limit their activities to a precise geographical area as do some Crédit Municipal (municipal pawnbroker).

Except for the commercial banks, there is wide involvement of the financial sector with cooperative banks, Postal Bank, municipal pawnbrokers, and credit card issuers. Two local authorities (two regional councils) are partners of the Social Cohesion fund. Association partners are mainly involved in the fight against poverty: charitable associations, associations dedicated to tackle over-indebtedness and associations to help young professional students.

b) Supporting the banking relationship

Financial exclusion includes use difficulties. One of the main explanations of these difficulties is linked to the quality of the banking relationship: the adequacy between the customers' needs and the characteristics of the financial products (included the price), between the level of financial capability, the complexity of the customers' situation and the availability of professional advice.

Because of the constraints of banking activities, most of the time it is difficult for banks and bankers to meet these needs. Several aspects of the two action plans coordinated by CCSF try to improve the quality of the banking relationship when it is established with deprived people. Nevertheless, these commitments are insufficient to resolve the problem. Therefore, three banks have implemented pilot projects to address this challenge.

The first pilot is the one of Crédit Agricole Nord Est (a regional "caisse" of Crédit Agricole near Reims and Châlons en Champagne). It is named *Point Passerelle* and has been created to help people facing financial difficulties. The structure is an association financed by regional "caisse" of Crédit Agricole and are located in independent branches (it is strictly separate from the bank's branches).

Two employees of Crédit Agricole are dedicated to each *Point Passerelle*. Their role is to welcome existing or potential customers of Crédit Agricole and to try to find a solution to their problems. Working out the solution involves the customers themselves and no decision is made without their agreement.

They provide personal face to face advice and also, if necessary, mediation: a professional mediator can contact various creditors to negotiate the debt in a way which help to find a solution for the customer and which can be accepted by the creditors. All these procedures are free for the customer. *Points Passerelle* does not provide financial products except social microcredit and "crédit solidaire" which allows restructuring of the debt (after negotiation with each one of the creditors).

The effectiveness of this structure has encouraged the Federation of Crédit Agricole to spread the structure to every regional "caisses". This started in 2007 and should rise in 2008. This effectiveness has also inspired the Caisses d'épargne who decided to implement a similar structure in 2007: *Parcours Confiance*.

Parcours Confiance presents some differences with the *Points Passerelle* as no professional mediation is provided. Nevertheless, dedicated employees provide face

to face advice and support customers during the different stages. The other main difference is that customers can access financial products in *Parcours Confiance*. More precisely, people who are already clients of the Caisse d'épargne can see the employee of *Parcours confiance* who becomes their banker. He/she will manage their account, the repayment of their credit if they have one, etc. as long as the financial problems of the customer have not been resolved. This service is not available to customers of other banks as their current account is managed by a bank with no relation to *Parcours Confiance*.

As a result of the account being transferred to a dedicated structure, the employee is supposed to have a better understanding of the customer's situation and the normal banking procedures and fees should be avoided so that the work done in partnership with the customer is taken into consideration. It is supposed improve the effectiveness of the relationship. Nevertheless, it also presents a risk as it could create a place where poor customers could be located as long as their situation is not improving. The Caisse d'épargne are aware of this risk and are working to find a solution to this problem. It is too early to say what it will be.

Points Passerelle and *Parcours Confiance* are both partners with associations like Secours Catholique (CaritasFrance) and others who provide social microcredit. But it has to be highlighted that most people welcomed in these structures find solutions without the need for a new loan. *Points Passerelle* who has much experience in the area, claim that around 80 % of people do not need any new credit.

Another bank has chosen not to implement a dedicated structure but to work in partnership with an association which will provide support when the banker is not able to find any solution to the financial problems of his/her customer: the Postal Bank and UNCCAS. Two agreements have already been signed in 2005 and 2006 but with no concrete results.

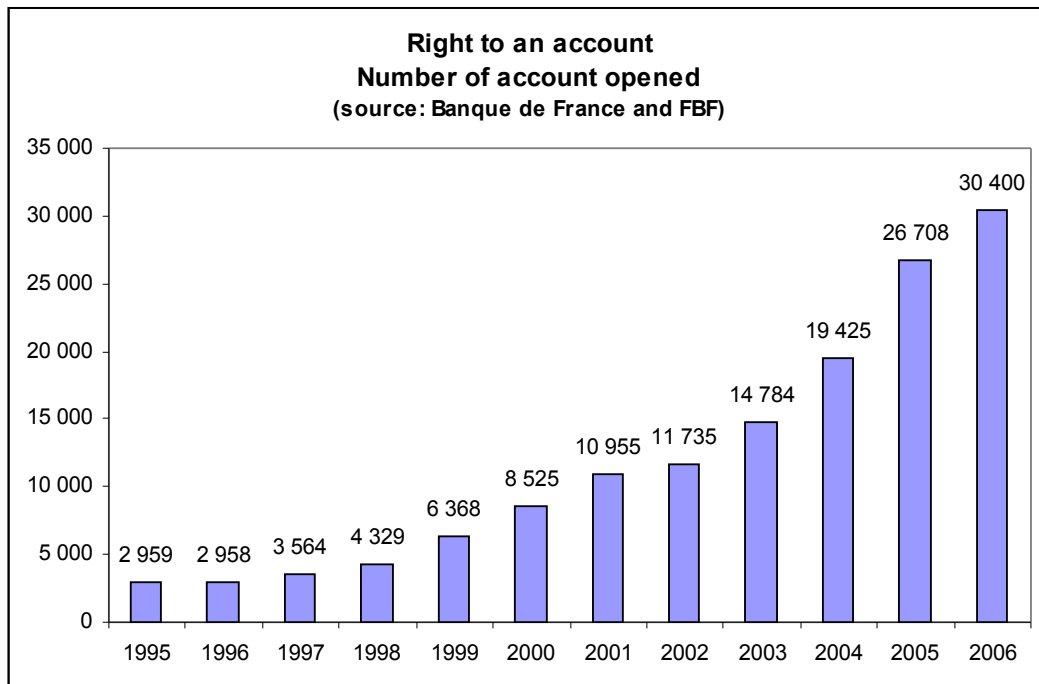
D. Evaluation of impact

There is a dearth of data in France on the effectiveness of the various responses to financial exclusion. Most of the data are provided by banks or association themselves so it is sometimes difficult to have a precise idea of the effectiveness of these responses.

a) Right to an account and basic banking services

The right to an account and basic banking services have evolved since 1984. Most importantly, in 1998 when access to the right to an account was simplified and in 2004 with the action plan to promote information about this right.

It has to be underlined that the commitment of banks to inform customers without accounts about the existence of this right is a reaction to the risk of the implementation of a universal banking service which was supported by some consumer associations. To avoid it, banks have decided to involve themselves more in order to respect the law. This is already a significant improvement.



The graph shows that the number of accounts opened since 1998 increased substantially following the legislation around the right to an account and there has also been an important increase since 2004 when banks began to disseminate information about the right to an account: the number of accounts opened with this procedure were 31 % in 2003 to 2004, 37 % in 2004 to 2005, and 13 % in 2005 to 2006.

It is impossible to know whether every person who would like access to a current account with basic banking services are really aware about this right. Some customers may be guided towards a savings account or a current account without any services: these two accounts are less adequate and less interesting for the customer than the right to an account with basic banking services.

b) Social microcredit

Social microcredit can be assessed in several ways. The Social Cohesion Fund which guarantees most social microcredit stated on 30th of June 2007 that:

- 1 345 social microcredit loans have been made since 2005.
- The global amount of all the social microcredit loans is around 3 millions euros.
- The average amount is around 2 250 euros per social microcredit loan.

The purposes of these loans are:

- Mobility² for 66.39 %
- Housing for 14.65 %
- Training and education for 2.38%
- And other (health, burial, etc.) for 16.58 %

² Car, motorcycle, etc.

These statistics do not reflect the true need of this “market” as a strong selection bias exists. A qualitative assessment of the impact of *Crédit projet personnel* which is the Secours Catholique version of social microcredit shows that these loans are very useful for improving the situation of people who access it. These improvements can take place in the employment area but also in terms of family cohesion, quality of life, self-confidence and of course financial inclusion (Gloukoviezoff & Lazarus, 2007). This report is only an intermediary report so it is necessary to wait for stronger conclusions.

Nevertheless what the social microcredit pilots needs above all is time. Time is absolutely unavoidable to encourage various partners to properly implement social microcredit in their organisation, to make the connection with their previous way of functioning, to convince people of the benefits of this tool and to explain what can be done and what cannot be with it. That is why it is too early to have any quantitative conclusions about the global number of social microcredit loans or about the level of failure.

It should also be pointed out that there are limits to social microcredit. While it can be a response to financial exclusion, and sometimes to tackle poverty or some aspect of it, it is important that it is related to existing rights and social safety nets. The main risk with the implementation of social microcredit is that it could reduce public financial support for households or their rights anyway. Social microcredit cannot be a substitute for the welfare state.

c) Dedicated structure to support banking relationship

There is no up-to-date study which assesses the impact of the dedicated structures to support banking relationship. Nevertheless, a study carried out in 2002 (Gloukoviezoff & Guérin, 2002) showed that *Points Passerelle* provided very useful help to those who are welcomed. This pilot obtained very good results in relation to repayments as in 2003, the ratio of bad and litigious debt/outstanding was 1.62 % for the “prêts solidaires” (a little bit different than social microcredit) which is lower than for credit card issuers and the majority of consumer credit lenders. Nevertheless, it is necessary to be careful when interpreting this result as the cost of the risk assessment and the support provided during the repayment period is high.

Conclusion

Financial exclusion is progressively becoming a concern in France, although it is still not a national priority. Responses to this phenomenon are already implemented and they try to take into account its various aspects. They involve almost all stakeholders with coordination having been improved by the action of the CCSF. Nevertheless, there is a real need for more qualitative and quantitative studies to understand the complexity of its mechanisms and to assess the impact of the various responses.

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